The Wolfsberg Group - Statement on Effectiveness

Making AML/CTF Programmes more effective

The Wolfsberg Group (the Group) is an association of thirteen global banks, founded in 2000, which aims to develop frameworks and guidance for the management of financial crime risk in general, with a more recent and strategic focus on enhancing the effectiveness of global Anti-Money Laundering/Counter Terrorist Financing (AML/CTF) programmes. The topic of effectiveness has also been more widely discussed across the AML/CTF community in recent years.

In 2013, the Financial Action Task Force (FATF) determined that jurisdictions simply having reasonable legal frameworks in place for financial crime prevention was no longer sufficient. FATF stated that "each country must enforce these measures, and ensure that the operational, law enforcement and legal components of an AML/CFT system work together effectively to deliver results: the 11 immediate outcomes."[1] As a result, FATF changed the way it conducted mutual evaluations of its member states, no longer focusing solely on technical compliance with its 40 Recommendations, but also evaluating the overall effectiveness of the AML/CTF regime based on evidence that the outcomes were being achieved.

Notwithstanding FATF's approach, Financial Institutions (FIs) still tend to be examined by national supervisors almost exclusively on the basis of technical compliance rather than focussing on the practical element of whether AML/CTF programmes are really making a difference in the fight against financial crime. The Group believes that, in practice, there is as yet insufficient consideration of whether an FI's AML/CTF programme is effective in achieving the overall goals of the AML/CTF regime which go beyond technical compliance. As a result, FIs devote a significant amount of resources to practices designed to maximise technical compliance, while not necessarily optimising the detection or deterrence of illicit activity. The Group believes that jurisdictions should adopt the FATF's focus on effective outcomes and therefore, that an FI's AML/CTF programme should have three key elements:

1. Comply with AML/CTF laws and regulations
2. Provide highly useful information to relevant government agencies in defined priority areas[2]
3. Establish a reasonable and risk-based set of controls to mitigate the risks of an FI being used to facilitate illicit activity

The Group believes that supervisors and/or relevant government agencies should assess the effectiveness of an FI's AML/CTF programme based on the above criteria, recognising that no two FIs are the same and each FI's risk mitigation strategy must be tailored to meet its risk appetite.

Currently, significant time and resources are expended on practices that do not fall into any of these three criteria but have often become "expectations" of an AML/CTF programme. FIs should be encouraged to identify current practices that are not required by law or regulation, do not lead to the production of highly useful information to relevant government agencies and are of little financial crime risk management value to the FI. Following an appropriate risk-based evaluation, these practices could be discontinued and resources employed more efficiently on areas that have increased value from a financial crime risk management perspective and are focused on defined AML/CTF priorities.

This approach to defining and developing an effective AML/CTF programme will also have the benefit of reducing friction on customers and helping governments with their objective of financial inclusion.

The Group will continue to work on effectiveness related initiatives and is committed to collaborating with policy makers, supervisors, law enforcement agencies and other stakeholders to develop this approach further, while continuing to support public private partnerships and assisting in the implementation of AML/CTF regimes focused on effectiveness.

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[1] https://www.fatf-gafi.org/publications/mutualevaluations/documents/effectiveness.html

[2] Information as defined and aligned to nationally compiled financial crime prevention priorities